

Message Text

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ACTION SS-25

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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC PRIORITY 8586

C O N F I D E N T I A L LAGOS 0272

EXDIS

E.O. 11652: GDS
TAGS: ENRG, NI
SUBJECT: POSSIBLE PURCHASE OF NIGERIAN OIL FOR US STRATEGIC
PETROLEUM RESERVE

REF: (A) STATE 313636 (B) LAGOS 14307

1 EMBASSY NOT REPEAT NOT SURE FMG DELIBERATELY IGNORED USG
APPROACH ON PURCHASE OF NIGERIAN CRUDE FOR STRATEGIC PETROLEUM
RESERVE. IN VIEW OF INADEQUACIES OF FMG BUREAUCRACY, COMPOUNDED
BY TIME-CONSUMING REVIEW IMPORTANT POLICY MATTERS USUALLY
REQUIRE IN RELEVANT MINISTRIES AND SMC, IT WOULD HAVE BEEN
REMARKABLE FOR FMG TO HAVE BEEN ABLE WITHIN SHORT PERIOD
AVAILABLE TO DEVELOP MEANINGFUL RESPONSE IN THIS PARTICULAR
SITUATION. GIVEN NATURE NAD TIMING OF PROPOSAL, ALSO POSSIBLE
FMG FOUND IT AWKWARD TO BE RESPONSIVE FOR FEAR OF ACCUSATION
IT HAD SOLD OUT ITS OPEC PRICING POSITION. EMBASSY BELIEVES
FMG MAY NONETHELESS BE INTERESTED IN DIRECT SALES TO USG FOR
STRATEGIC RESERVE. WE BELIEVE THERE WOULD BE ADVANTAGE IN
RAISING PROPOSAL AGAIN.

2. DURING CONVERSATION ABOUT AFTERMATH OF DOHA, PETROLOFF
ASKED ASSISTANT DIRECTOR OF PETROLEUM RESOURCES FOR OPEC
AND ECONOMIC MATTERS O.A. OKANLA IF HE AWARE OF STRATEGIC
RESERVE PROPOSAL. OKANLA HAD HEARD NOTHING, BUT EXPRESSED
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INTEREST. SPECIFICALLY, HE SAID THAT, WHILE NIGERIA NOW
PRODUCING FLAT OUT AND HAD LITTLE RESERVE PRODUCTION
CAPACITY TO MEET USG NEEDS, HE BELIEVED FMG MIGHT WELL BE
INTERESTED IN SHIFTING SOME EXISTING CRUDE SALES TO USG IN
EVENT ONE OR TWO THIRD PARTY BUYERS HAD THEIR CONTRACTS
CANCELLED FOR NON-PERFORMANCE IN FIRST QUARTER 1977
OKANLA THOUGHT USG, IF IT SERIOUS, SHOULD TAKE INITIATIVE

TO RAISE MATTER WITH FMG AGAIN SINCE FMG OFFICIALS LIKELY
TO BELIEVE PROPOSAL DEAD NOW THAT OPEC MEETING OVER.

3. OKANLA'S INTEREST OF COURSE SELFISH IN THAT IT WOULD
HELP NIGERIA MAINTAIN HIGHER PRICE INCREASE IF USG PICKED
UP CANCELLED SALES. HOWEVER, EXISTENCE OF GENUINE NIGERIAN
INTEREST, WPATEVER THE MOTIVE, COULD OFFER OPPORTUNITY FOR
USEFUL NEGOTIATIONS. FOR EXAMPLE, ALTHOUGH FEA PLAN, AS
NOTED REF A, MAY PRECLUDE GOVERNMENTS OFFERING OIL AT PRICES
COMPETITIVE WITH THOSE AVAILABLE THROUGH AGENCY OF US
COMPANIES, MIGHT IT NOT STILL BE WGRTHWHILE TO AT LEAST
EXPLORE WHAT IF ANY PRICES DISCOUNT FMG WOULD OFFER IF USG
WANTED TO BUY? BEING DIRECT PURCHASER OF NIGERIAN CRUDE
MIGHT ALSO GIVE USG LIMITED BUT USEFUL LEVERAGE IF AND WHEN
FMG CONSIDERS FURTHER NATIONALIZATION OF US OIL COMPANIES.
USG MIGHT ALSO BE ABLE TO GET SOME USEFUL POLITICAL
MILEAGE FROM COOPERATIVE GESTURE ON DIRECT SALES.

4. NEGATIVE CONSEQUENCE OF USG DROPPING PROPOSAL COULD AT
THIS TIME POSSIBLY EVEN MORE IMPORTANT, FOR TO DO SO MAY
ENCOURAGE FMG OFFICIALS TO CONTEND USG OFFER WAS NOTHING
MORE THAN HASTILY CONCEIVED ATTEMPT TO BRIBE FMG ON OPEC
PRICE DECISION. THIS COULD CREATE UNWANTED FRICTION IN
US-NIGERIAN RELATIONS WHICH COULD BE AVOIDED BY RAISING
PROPOSAL AGAIN NOW THAT OPEC MEETING OVER. IF, AFTER
DISCUSSING PROPOSAL AGAIN WITH FMG, DEPARTMENT CONCLUDES
THERE IS NO MERIT IN DIRECT CRUDE PURCHASES FROM NIGERIA,
IT SHOULD NOT BE DIFFICULT TO DROP PROPOSAL ON GROUNDS OF
INABILITY TO AGREE ON MUTUALLY SATISFACTORY TERMS.
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5. IN VIEW OF ABOVE, BELIEVE IT WOULD BE DESIREABLE TO
RENEW PROPOSAL TO FMG. WOULD APPRECIATE DEPARTMENT'S
VIEWS ON THIS AND ON WHETHER APPROACH SHOULD BE MADE IN
WASHINGTON OR LAGOS. OUR RECOMMENDATION ON THIS TACTICAL
QUESTION WOULD BE THAT EMBASSY MAKE EXPLORATORY APPROACH
WITH OR WITHOUT CONCURRENT APPROACH BY DEPARTMENT TO
AMBASSADOR SANU. IF THIS APPROACH ELICITS FMG INTEREST,
WE WOULD OFFER FMG CHOICE OF SENDING EXPERTS TO
WASHINGTON FOR TECHNICAL DISCUSSIONS, OR RECEIVING US
EXPERTS IN LAGOS.
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